

Down streak ends!

30th April, 2016

CMP: **Rs.1,443**
Target Price: **Rs.1,528**
Recommendation: **HOLD**

Stock Info

BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	25,606
NSE Nifty	7,849

Market Info

Market Capital	Rs 27,091 cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	2,75,200
52 Wk High/ Low	1,541/1173
Face Value	10

Shareholding Pattern (%) (Dec 2015)

Promoters	50.3
Domestic Institutions	18.1
Foreign Institutions	15.3
Public & Others	16.3

Price Chart:



ACC Ltd. posted a negative growth in net profit YoY for its first quarter ended March, 2016. However, net profit has more than doubled over the previous quarter. Net profit for the quarter came in at Rs. 223 cr compared to Rs. 232 cr in the corresponding quarter of previous year (de-growth of 3.7%) and Rs 100 cr sequentially. Total sales turnover during the quarter was Rs. 2,991 cr as compared to Rs. 3,080 cr in the corresponding quarter of 2015. EBITDA for the company stood at Rs. 434 cr vs. Rs. 609 cr YoY.

Cement volumes were at 6.4 MT higher by 10.3% compared to the corresponding quarter of previous year & higher by 6.7% sequentially. Cement demand showed improvement & premium products volume increased by 53% YoY and 44% QoQ. Realizations were weak dropping by more than 3% QoQ & 8% YoY. Capacity utilization stood at 85% above the industry level of 74%. RMX volume for the quarter grew by 13% compared to the corresponding quarter of previous year as well sequentially.

Raw material cost witnessed a decrease YoY as slag prices were renegotiated & reduced. Also there was reduction in landed cost of Fly ash, Gypsum. Cost of purchased Limestone & other corrective materials was also low. However, suspension of mining operation at Chaibasa & Bargarh resulted into purchase of Clinker offsetting the benefits. QoQ the cost was marginally up due to the higher cost of additives and other corrective materials.

Employee cost was higher YoY as the company had a one-time reversal in Q1 '15. However, it was lower QoQ, excluding the severance cost. Pet coke consumption was higher at 50%. Linkage coal & imported coal consumption reduced to 35% & 15% respectively. Road freight reduced due to reduction in diesel prices & secondary lead. Share of road in transport mix stood at 56%.

Valuations:

We have valued stock on EV/EBITDA of 15 (x) its FY17 estimates and have arrived at a fair value of Rs 1,528 per share. At CMP of Rs 1,443 the stock is available at FY17E P/E(x) and EV/EBITDA(x) of 26.7 (x) and 13.8 (x) respectively. We have **"HOLD"** rating on the stock.

Financials:

(Rs Cr)	CY14	CY15	CY16E	CY17E
Net Revenue	11,738	11,797	12,268	13,004
EBITDA	1,489	1,538	1,681	1,940
PAT	1,168	576	834	1,016
EPS	62.2	30.7	44.4	54.1
EPS Growth (%)	6.6	(50.7)	44.7	21.8
ROE%	16.2	8.2	11.5	13.8
P/E (x)	22.5	43.5	32.5	26.7
EV/EBITDA (x)	17.5	16.6	15.9	13.8

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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